This report is required by law (7 USC 2143). Failure to report according to the regulations can result in an order to cease and desist and to be subject to penalties as provided for in Section 21

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See attached form for additional information.

Interagency Report Control No.:

UNITED STATES DEPARTMENT OF AGRICULTURE
ANIMAL AND PLANT HEALTH INSPECTION SERVICE

1. CERTIFICATE NUMBER: 14-R-0162
CUSTOMER NUMBER: 17008

FORM APPROVED
OMB NO. 0579-0036

ANNUAL REPORT OF RESEARCH FACILITY

(TYPE OR PRINT)

Nucryst Pharmaceuticals
50 Audubon Rd
Suite B
Wakefield, MA 01880

Telephone: (781) -246-6044

3. REPORTING FACILITY (List all locations where animals were housed or used in actual research, testing, or experimentation, or held for these purposes. Attach additional sheets if necessary)

FACILITY LOCATIONS (Sites) - See Atached Listing

REPORT OF ANIMALS USED BY OR UNDER CONTROL OF RESEARCH FACILITY **(Attach additional sheets if necessarv or use APHIS Form 7023A)**

A. Animals Covered By The Animal Welfare Regulations	B. Number of animal being bred, conditioned, or held for use in teaching, testing, experiments, research, or surgery but not ye used for such purposes.	C. Number of animals upon which teaching, research, experiments, or tests were conducted involving no pain, distress, or use o pain-relieving drugs.	D. Number of animals upon which experiments, teaching, research, surgery, or tests were conducted involving accompanying pain or distress to the animals an for which appropriate anesthetic, analgesic, or tranquilizing drugs were used.	E. Number of animals upon which teaching, experiments, research, surgery or tests were conducted involving accompanying pain or distress to the animals and for wh the use of appropriate anesthetic, analgesic, or tranquiliz drugs would have adversely affected the procedures, res or interpretation of the teaching, research, experiments, surgery, or tests. (An explanation of the procedures producing pain or distress in these animals and the reas such drugs were not used must be attached to this report	F. TOTAL NUMBER OF ANIMALS (COLUMNS C + D + E)
4. Dogs					
5. Cats					
6. Guinea Pigs	0	53	17	10	80
7. Hamsters					
8 Rabbits					
9. Non-human Primates					
10. Sheep					
11. Pigs					
12. Other Farm Animals					
13. Other Animals					

ASSURANCE STATEMENTS

1) Professionally acceptable standards governing the care, treatment, and use of animals, including appropriate use of anestetic, analgesic, and tranquilizing drugs, prior to, during, and following actual rese teaching, testing, surgery, or experimentation were followed by this research facility.

2) Each principal investigator has considered alternatives to painful procedures.

3) This facility is adhering to the standards and regulations under the Act, and it has required that exceptions to the standards and regulations be specified and explained by the principal investigator and ap Institutional Animal Care and Use Committee (IACUC). **A summary of all such exceptions is attached to this annual report.** In addition to identifying the IACUC-approved exceptions, this summary inc brief explanation of the exceptions, as well as the species and number of animals affected.

4) The attending veterinarian for this research facility has appropriate authority to ensure the provision of adequate veterinary care and to oversee the adequacy of other aspects of animal care and use.

CERTIFICATION BY HEADQUARTERS RESEARCH FACILITY OFFICIAL
(Chief Executive Officer or Legally Responsible Institutional Official)

SIGN

SIGNED
Sept. 05

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Column E Explanation

This form is intended as an aid to completing the Column E explanation. It is not an official form and its use is voluntary. Names, addresses, protocols, veterinary care programs, and the like, are not required as part of an explanation. A Column E explanation must be written so as to be understood by lay persons as well as scientists.

1. Registration Number: 14-R-0162

2. Number 80 of animals used in this study.

3. Species (common name) Guinea Pig of animals used in the study.

4. Explain the procedure producing pain and/or distress.

   Please see attached letter.

5. Provide scientific justification why pain and/or distress could not be relieved. State methods or means used to determine that pain and/or distress relief would interfere with test results. (For Federally mandated testing, see Item 6 below)

6. What, if any, federal regulations require this procedure? Cite the agency, the code of Federal Regulations (CFR) title number and the specific section number (e.g., APHIS, 9 CFR 113.102):

   Agency_____ CFR_____

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NUCRYST™
PHARMACEUTICALS

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21 September 2005

Elizabeth Goldentyer, DVM
Regional Director, Animal Care
USDA-APHIS Eastern Regional Office
920 Main Campus Drive
Suite 200, Unit 3040
Raleigh, NC 27606-5210
Ph. 919-716-5532

Subject: Annual Report of Research Facility for 1 Oct 2004 through 30 Sept 2005
USDA Registration # 14-R-0162

Dear Dr.Goldentyer:

Enclosed please find our annual statistical report (APHIS Form 7023) pertaining to research activities at NUCRYST Pharmaceuticals, Inc. The use of covered animal species reported in USDA Category E (animal pain &/or distress without alleviation) is explained in the following section.

Guinea pigs were used to test the anti-inflammatory activity of nanocrystalline silver creams in a model of allergic contact dermatitis. Dermatitis was induced on guinea pig skin using dinitro-chlorobenzene (DNCB) in a 2-stage application. Once skin lesions appeared, the animals were treated with test compounds including placebo creams. Most of the animals were treated with different test compounds including known anti-inflammatory compounds that reduced the intensity &/or duration of the dermatitis. Some animals were left untreated to serve as negative controls. After five days of treatment all animals were euthanized and skin biopsies were collected for histology and histochemistry.

The model employed a detailed lesion scoring system that was used daily to assess lesion severity and response to treatment. In addition, guinea pig body weight and overall health parameters were monitored daily for the duration of the study. Based on these parameters, the induced dermatitis did not cause significant pain or distress in the majority of animals that were used. Guinea pigs that had lesions with a score greater than 4+ for a period of more than 48 hours were categorized in USDA Category E. During the reporting period, we used a total of 80 guinea pigs. Of this total, 10 were categorized in USDA Category E.

Guinea pigs were selected for this study because the allergic contact dermatitis model in guinea pig is well characterized and dermatitis in this model is present for an appropriate duration for evaluating the activity of test compounds. The histological findings in guinea

50 Audubon Road, Suite B, Wakefield, MA 01880 Telephone: 781-246-6044 Fax: 781-246-603: (b)(6), (b)(7)c

pig allergic contact dermatitis are very similar to the eczematous changes in human allergic contact dermatitis.

Please contact me at 781-246-6044 if you require any additional explanation regarding our USDA annual report.

Sincerely,

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NUCRYST Pharmaceuticals, Inc.